

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarter ended September 30, 2000

Commission File Number 1-6926

C. R. BARD, INC.

(Exact name of registrant as specified in its charter)

New Jersey
(State of incorporation)

22-1454160
(I.R.S. Employer Identification No.)

730 Central Avenue, Murray Hill, New Jersey 07974
(Address of principal executive offices)

Registrant's telephone number,
Including area code:

(908) 277-8000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class
Common Stock - \$.25 par value

Outstanding at October 31, 2000
50,836,716

C. R. BARD, INC. AND SUBSIDIARIES

INDEX

| | <u>PAGE NO.</u> |
|---|------------------------|
| <u>PART I – FINANCIAL INFORMATION</u> | |
| Condensed Consolidated Balance Sheets – September 30, 2000 and December 31, 1999 | 1 |
| Condensed Consolidated Statements of Income For The Quarter and Nine Months Ended September 30, 2000 and 1999 | 2 |
| Condensed Consolidated Statements of Shareholders’ Investment For The Nine Months Ended September 30, 2000 and 1999 | 3 |
| Condensed Consolidated Statements of Cash Flows For The Nine Months Ended September 30, 2000 and 1999 | 4 |
| Notes to Condensed Consolidated Financial Statements | 5 |
| Management’s Discussion and Analysis of Financial Condition and Results of Operations | 7 |
| <u>PART II – OTHER INFORMATION</u> | 9 |

C. R. BARD, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (dollars in thousands)

| | September 30, 2000 (unaudited) | December 31, 1999 |
|--|--------------------------------------|----------------------|
| <u>ASSETS</u> | | |
| Current Assets: | | |
| Cash and short-term investments | \$ 94,500 | \$ 95,900 |
| Accounts receivable, net | 197,800 | 212,900 |
| Inventories | 203,500 | 204,000 |
| Other current assets | <u>19,600</u> | <u>16,300</u> |
| Total current assets | <u>515,400</u> | <u>529,100</u> |
| Property, plant and equipment, net | 156,900 | 169,700 |
| Intangible assets, net of amortization | 361,200 | 337,000 |
| Other assets | <u>89,200</u> | <u>90,600</u> |
| | <u>\$1,122,700</u> | <u>\$1,126,400</u> |
| <u>LIABILITIES AND SHAREHOLDERS' INVESTMENT</u> | | |
| Current Liabilities: | | |
| Short-term borrowings and current maturities of long-term debt | \$ 68,400 | \$ 130,300 |
| Accounts payable | 44,800 | 54,300 |
| Accrued expenses | 147,800 | 135,800 |
| Federal and foreign income taxes | <u>49,800</u> | <u>32,100</u> |
| Total current liabilities | <u>310,800</u> | <u>352,500</u> |
| Long-term debt | <u>157,400</u> | <u>158,400</u> |
| Other long-term liabilities | <u>39,000</u> | <u>41,200</u> |
| Shareholders' Investment | | |
| Preferred stock, \$1 par value, authorized 5,000,000 shares; none issued | --- | --- |
| Common stock, \$.25 par value, authorized 300,000,000 shares; issued and outstanding 50,822,576 shares and 50,781,857 shares | 12,700 | 12,700 |
| Capital in excess of par value | 174,200 | 153,500 |
| Retained earnings | 521,700 | 473,500 |
| Accumulated other comprehensive income | (76,100) | (48,600) |
| Unamortized expenses under stock plans | <u>(17,000)</u> | <u>(16,800)</u> |
| | <u>615,500</u> | <u>574,300</u> |
| | <u>\$1,122,700</u> | <u>\$1,126,400</u> |

The accompanying notes to condensed consolidated financial statements are an integral part of these statements.

C. R. BARD, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(thousands except per share amounts)
(unaudited)

| | For the Quarter Ended September 30, | | For Nine Months Ended September 30, | |
|--|--|------------|--|------------|
| | 2000 | 1999 | 2000 | 1999 |
| Net sales | \$ 275,400 | \$ 259,500 | \$ 818,500 | \$ 765,800 |
| Costs and Expenses: | | | | |
| Cost of goods sold | 126,100 | 116,200 | 370,900 | 340,100 |
| Marketing, selling and administrative | 87,900 | 82,600 | 261,800 | 246,000 |
| Research & development | 13,000 | 12,100 | 40,700 | 40,400 |
| Interest expense | 4,900 | 5,100 | 15,400 | 14,100 |
| Gain from dispositions of cardiology businesses | -- | -- | (15,400) | -- |
| Other (income) expense, net | (5,800) | (400) | 1,900 | -- |
| Total costs and expenses | 226,100 | 215,600 | 675,300 | 640,600 |
| Income before taxes | 49,300 | 43,900 | 143,200 | 125,200 |
| Provision for income taxes | 15,300 | 13,800 | 44,600 | 40,300 |
| Net income | \$ 34,000 | \$ 30,100 | \$ 98,600 | \$ 84,900 |
| Basic earnings per share | \$.67 | \$.59 | \$ 1.95 | \$ 1.66 |
| Diluted earnings per share | \$.66 | \$.58 | \$ 1.93 | \$ 1.64 |
| Cash dividends per share | \$.21 | \$.20 | \$.61 | \$.58 |
| Average common shares outstanding – basic | 50,767 | 51,152 | 50,648 | 51,219 |
| Average common shares outstanding - diluted | 51,324 | 51,671 | 51,169 | 51,807 |

The accompanying notes to condensed consolidated financial statements are an integral part of these statements.

C. R. BARD, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' INVESTMENT
(dollars in thousands except per share amounts)
(unaudited)

| Nine Months Ended September 30, 2000 | Shares | Amount | Capital in Excess of Par | Retained Earnings | Accumulated Other Comprehensive Income | Unamor- tized Expenses Under Stock Plan | Total |
|--|-------------------|------------------|-----------------------------|----------------------|---|---|-------------------|
| Balance at December 31, 1999 | 50,781,857 | \$ 12,700 | \$ 153,500 | \$ 473,500 | \$ (48,600) | \$ (16,800) | \$ 574,300 |
| Net income | | | | 98,600 | | | 98,600 |
| Currency translation adjustments/other Comprehensive income | | | | | (27,500) | | (27,500) |
| Cash dividends (\$.61 per share) | | | | (31,100) | | | (31,100) |
| Treasury stock acquired | (420,300) | (100) | | (17,700) | | | (17,800) |
| Employee stock plans | <u>461,019</u> | <u>100</u> | <u>20,700</u> | <u>(1,600)</u> | <u>---</u> | <u>(200)</u> | <u>19,000</u> |
| Balance at September 30, 2000 | <u>50,822,576</u> | <u>\$ 12,700</u> | <u>\$ 174,200</u> | <u>\$ 521,700</u> | <u>\$ (76,100)</u> | <u>\$ (17,000)</u> | <u>\$ 615,500</u> |

| Nine Months Ended September 30, 1999 | Shares | Amount | Capital in Excess of Par | Retained Earnings | Accumulated Other Comprehensive Income | Unamor- tized Expenses Under Stock Plan | Total |
|--|-------------------|------------------|-----------------------------|----------------------|---|---|-------------------|
| Balance at December 31, 1998 | 51,497,564 | \$ 12,900 | \$ 132,300 | \$ 453,600 | \$ (23,100) | \$ (8,100) | \$ 567,600 |
| Net income | | | | 84,900 | | | 84,900 |
| Currency translation adjustments/other Comprehensive income | | | | | (16,400) | | (16,400) |
| Cash dividends (\$.58 per share) | | | | (29,800) | | | (29,800) |
| Treasury stock acquired | (1,154,800) | (300) | | (59,100) | | | (59,400) |
| Employee stock plans | <u>766,690</u> | <u>200</u> | <u>21,100</u> | <u>17,700</u> | <u>---</u> | <u>(10,000)</u> | <u>29,000</u> |
| Balance at September 30, 1999 | <u>51,109,454</u> | <u>\$ 12,800</u> | <u>\$ 153,400</u> | <u>\$ 467,300</u> | <u>\$ (39,500)</u> | <u>\$ (18,100)</u> | <u>\$ 575,900</u> |

The accompanying notes to condensed consolidated financial statements are an integral part of these statements.

C. R. BARD, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)
(unaudited)

| | For The Nine Months Ended September 30, | |
|--|--|------------------|
| | 2000 | 1999 |
| Cash flows from operating activities: | | |
| Net income | \$ 98,600 | \$ 84,900 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 37,500 | 36,500 |
| Other noncash items | 800 | 4,000 |
| Changes in assets and liabilities: | | |
| Current assets | (20,800) | (22,600) |
| Current liabilities | 15,100 | (44,200) |
| Other | (2,100) | (2,400) |
| | <u>129,100</u> | <u>56,200</u> |
| Cash flows from investing activities: | | |
| Capital expenditures | (12,000) | (20,800) |
| Other long-term investments, net | (27,800) | (42,900) |
| | <u>(39,800)</u> | <u>(63,700)</u> |
| Cash flows from financing activities: | | |
| Purchase of common stock | (17,800) | (59,400) |
| Dividends paid | (31,100) | (29,800) |
| Other financing activities | (47,200) | 113,000 |
| | <u>(96,100)</u> | <u>23,800</u> |
| Cash and cash equivalents: | | |
| Increase (decrease) during the period | <u>(6,800)</u> | <u>16,300</u> |
| Balance at January 1, | <u>92,700</u> | <u>41,200</u> |
| Balance at September 30, | <u>\$ 85,900</u> | <u>\$ 57,500</u> |

The accompanying notes to consolidated financial statements are an integral part of these statements.

C. R. BARD, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The financial statements contained in this filing have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission and have not been audited. However, C. R. Bard, Inc. ("Bard" or the "company") believes that it has included all adjustments to the interim financial statements, consisting only of normal recurring adjustments, that are necessary to present fairly Bard's financial condition and results of operations at the dates and for the periods presented. The results of operations for the interim periods are not necessarily indicative of results of operations for a full year. These financial statements should be read in conjunction with the Consolidated Financial Statements and Notes to Consolidated Financial Statements as filed by the company in its 1999 Annual Report on Form 10-K.

Consolidation

The consolidated financial statements include the accounts of the company and its majority-owned subsidiaries. All significant intercompany accounts and transactions are eliminated in consolidation.

Earnings Per Share

"Basic earnings per share" represents net income divided by the weighted average shares outstanding. "Diluted earnings per share" represents net income divided by weighted average shares outstanding adjusted for the incremental dilution of outstanding employee stock options and awards. Unless indicated otherwise per share amounts are calculated on a diluted basis.

Derivative Instruments

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" as amended by Statement of Financial Accounting Standards No. 138, ("FAS 133"). FAS 133 is effective for Bard as of January 1, 2001. FAS 133 establishes accounting and reporting standards requiring that every derivative instrument be recorded in the balance sheet as either an asset or liability measured at its fair value. FAS 133 requires that changes in the derivative's fair value be recognized in either income or other comprehensive income, depending on the designated purpose of the derivative. The application of FAS 133 would not have a material effect on the financial statements presented herein.

Revenue Recognition

The Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition", in December 1999. SAB No. 101 expresses the views of the SEC staff in applying generally accepted accounting principles to certain revenue recognition issues. In June 2000, the SEC issued SAB No. 101B to defer the effective date of the implementation of SAB No. 101 until the fourth quarter of fiscal 2000. Management has concluded that the implementation of this SAB will not have a material impact on its financial position or its results of operations.

Use of Estimates

The financial statements and related disclosures have been prepared in conformity with generally accepted accounting principles and, accordingly, include amounts based on estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

C. R. BARD, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Long-Term Debt

In December 1996, the company issued \$150,000,000 of 6.70% notes due 2026. These notes may be redeemed at the option of the note holders on December 1, 2006, at a redemption price equal to the principal amount. The market value of these notes was approximately \$139,000,000 at September 30, 2000.

Acquisitions

In August 1999, the company entered into an exclusive agreement with Endologix, Inc., a California-based company that has developed an endoluminal graft (ELG) used for the minimally invasive treatment of abdominal aortic aneurysms. The agreement, as amended in October 2000, gives Bard exclusive distribution rights to Endologix's ELG in Europe and Australia and an exclusive and irrevocable option to acquire before the end of the Year 2000 all of the remaining capital stock of Endologix, Inc. not already owned by Bard for approximately \$42 million. Bard paid approximately \$39 million primarily for the distribution rights and the option.

During the first nine months of 2000, the company acquired several new products and technologies in the area of hernia repair, specialty access and peripheral technology.

Segment Information

The company's management considers its business to be a single segment entity - the manufacture and sale of medical devices. The company's products generally share similar distribution channels and customers. The company designs, manufactures, packages, distributes and sells medical, surgical, diagnostic and patient care devices that are purchased by hospitals, physicians and nursing homes, used once and discarded. Management evaluates its various global product portfolios on a revenue basis, which is presented below. Management generally evaluates profitability and associated investment on an enterprise-wide basis due to shared infrastructures.

| (dollars in thousands) | Quarter Ended September 30, | | | Nine Months Ended September 30, | | |
|-------------------------------|-----------------------------|--------------------|--------|---------------------------------|--------------------|--------|
| | 2000 | 1999 | % Chg. | 2000 | 1999 | % Chg. |
| Net sales: | | | | | | |
| Vascular | \$ 59,100 | \$ 56,800 | 4 | \$181,100 | \$ 166,800 | 9 |
| Urology | 91,300 | 87,800 | 4 | 269,000 | 260,600 | 3 |
| Oncology | 65,300 | 60,700 | 8 | 187,100 | 175,400 | 7 |
| Surgery | 44,900 | 40,800 | 10 | 135,300 | 122,000 | 11 |
| Other products | 14,800 | 13,400 | 10 | 46,000 | 41,000 | 12 |
| Total net sales | <u>\$ 275,400</u> | <u>\$ 259,500</u> | 6 | <u>\$ 818,500</u> | <u>\$ 765,800</u> | 7 |
| Income before taxes | <u>\$ 49,300</u> | <u>\$ 43,900</u> | | <u>\$ 143,200</u> | <u>\$ 125,200</u> | |
| Total assets | <u>\$1,122,700</u> | <u>\$1,117,000</u> | | <u>\$1,122,700</u> | <u>\$1,117,000</u> | |
| Capital expenditures | <u>\$ 3,600</u> | <u>\$ 8,200</u> | | <u>\$ 12,000</u> | <u>\$ 20,800</u> | |
| Depreciation and amortization | <u>\$ 12,800</u> | <u>\$ 12,500</u> | | <u>\$ 37,500</u> | <u>\$ 36,500</u> | |

C. R. BARD, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Segment Information (continued)

The following table represents net sales by geographic region based on the location of the external customer.

| (dollars in thousands) | Quarter Ended September 30, | | | Nine Months Ended September 30, | | |
|------------------------|-----------------------------|-----------|-----------|------------------------------------|-----------|-----------|
| | 2000 | 1999 | % Chg. | 2000 | 1999 | % Chg. |
| United States | \$197,800 | \$182,700 | 8 | \$585,800 | \$540,100 | 8 |
| Europe | 44,800 | 46,400 | (3) | 140,000 | 142,700 | (2) |
| Japan | 16,500 | 14,300 | 15 | 44,600 | 40,100 | 11 |
| Rest of World | 16,300 | 16,100 | 1 | 48,100 | 42,900 | 12 |
| Total | \$275,400 | \$259,500 | 6 | \$818,500 | \$765,800 | 7 |

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Consolidated net sales for the third quarter of 2000 of \$275,400,000 increased 6 percent from the third quarter of 1999 net sales of \$259,500,000. Net sales in the U.S. for the third quarter of 2000 were \$197,800,000, an increase of 8 percent from the third quarter of 1999. International net sales for the third quarter of 2000 were \$77,600,000, an increase of 1 percent from the third quarter of 1999. Total net sales for the quarter was negatively affected by 2 percent due to foreign currency translation, with international sales being negatively affected by 6 percent. For the first nine months of 2000, U.S. net sales totaled \$585,800,000, up 8 percent as compared to the same period in 1999, while international net sales increased 3 percent to \$232,700,000 as compared to the same period in 1999. Adjusting for currency translation, net sales outside the U.S. would have increased 9 percent for the first nine months of 2000, as compared to the prior year period.

Vascular net sales for the quarter and nine month's period ended September 30, 2000 increased 4 and 9 percent, respectively, as compared to the same periods in 1999, due primarily to growth in net sales of electrophysiology and peripheral technology products. Urological net sales increased by 4 percent for the quarter and 3 percent for the nine-month period as compared to the same periods in 1999, due primarily to growth in net sales of infection control catheters. Oncology net sales increased 8 percent for the quarter and 7 percent for the nine-month period as compared to the same periods in 1999, due primarily to growth in net sales of specialty access products. Surgical net sales increased by 10 percent for the quarter and 11 percent for the nine month's period as compared to the same periods in 1999, due primarily to growth in net sales of soft tissue repair products.

The company's gross profit margin for the quarter and year-to-date periods ended September 30, 2000 of 54.2 percent and 54.7 percent, respectively declined from the gross profit margin for the quarter and year-to-date periods ended September 30, 1999 of 55.2 percent and 55.6 percent, respectively. These declines were primarily due to the impact of foreign currency translation, product recalls and an OEM agreement.

In the first quarter of 2000, the company settled all remaining open issues related to the 1998 dispositions of its cardiology businesses and recorded a gain of \$15,400,000 (\$.19 diluted per share after-tax).

C. R. BARD, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS (continued)

In addition to interest income and the impact of foreign exchange, other (income) expense, net for the third quarter of 2000 includes a net gain for legal settlements and asset dispositions amounting in the aggregate to \$4,100,000 (\$.04 diluted per share after tax.)

During the first nine months of 2000 the company purchased 420,300 common shares. During the first nine months of 1999, the company acquired 1,154,800 of its common shares.

Restructuring Charges

The company maintains a reserve account in connection with its previously announced restructuring plans. At September 30, 2000 the reserve balance amounted to \$8,200,000. This amount relates primarily to severance costs associated with a facility that has not been closed. There has been substantially no activity in this regard during the third quarter of 2000.

Cautionary Statement Regarding Forward-Looking Information

Certain statements contained herein or in other company documents and certain statements that may be made by management of the company orally may contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. You can identify these statements by the fact that they do not relate strictly to historic or current facts. They use words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe" and other words and terms of similar meaning in connection with any discussion of future operating or financial performance. In particular, these include statements relating to future actions, prospective products or product approvals, future performance or results of current and anticipated products, sales efforts, expenses, the outcome of contingencies, such as legal proceedings, and financial results. Because actual results are affected by risks and uncertainties, the company cautions investors that actual results may differ materially from those expressed or implied. It is not possible to predict or identify all such risks and uncertainties, but factors that could cause the actual results to differ materially from expected and historical results include, but are not limited to: health care industry consolidation resulting in customer demands for price concessions and contracts that are more complex and have longer terms; competitive factors, including competitors' attempts to gain market share through aggressive marketing programs, the development of new products or technologies by competitors and technological obsolescence; reduction in medical procedures performed in a cost-conscious environment; the lengthy approval time by the FDA or other government authorities to clear medical devices for commercial release; unanticipated product failures; legislative or administrative reforms to the U.S. Medicare and Medicaid systems or other U.S. or non-U.S. reimbursement systems in a manner that would significantly reduce reimbursements for procedures using the company's medical devices; the acquisition of key patents by competitors that would have the effect of excluding the company from new market segments; the uncertainty of whether increased research and development expenditures will result in increased sales; unpredictability of existing and future litigation including litigation regarding product liability and intellectual property; government actions or investigations affecting the industry in general or the company in particular; future difficulties obtaining product liability insurance on reasonable terms; efficacy or safety concerns with respect to marketed products, whether scientifically justified or not, that may lead to product recalls, withdrawals or declining sales; uncertainty related to tax appeals and litigation; future difficulties obtaining necessary components used in the company's products and/or price increases from the company's suppliers of critical components; economic factors that the company has no control over, including changes in inflation, foreign currency exchange rates and interest rates; other factors that the company has no control over, including earthquakes, floods, fires and explosions; risks associated with maintaining and expanding international

C. R. BARD, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS (continued)

operations; and the risk that the company may not achieve manufacturing or administrative efficiencies as a result of the company's restructuring, the integration of acquired businesses or divestitures. The Company assumes no obligation to update forward-looking statements as circumstances change. You are advised, however, to consult any further disclosures we make on related subjects in our 10-Q, 8-K and 10-K reports filed with the Securities and Exchange Commission.

PART II – OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibit 10ad* - Susan Alpert, Ph.D., M.D. Change of Control Agreement, dated as of October 10, 2000
- (b) Exhibit 10c* – Amended and Restated Supplemental Executive Retirement Agreement With William H. Longfield dated as of October 11, 2000.
- (c) Exhibit 10f* - Amendment to C. R. Bard, Inc. Agreement and Plans Trust dated as of September 13, 2000.
- (d) Exhibit 12.1 – Computation of Ratio of Earnings to Fixed Charges
- (e) Exhibit 27 – Financial Data Schedule
- (f) There were no reports on Form 8-K filed by the company during the quarter ended September 30, 2000.

* The exhibits listed under the number 10 constitute a management contract or a compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

C. R. BARD, INC.

(Registrant)

Charles P. Slacik /s/

Charles P. Slacik

Senior Vice President and Chief Financial Officer

Charles P. Grom /s/

Charles P. Grom

Vice President and Controller

Date: November 10, 2000